



SPONSOR: Rep. Kowalko & Rep. Keeley & Sen. Henry
Rep. Lynn

HOUSE OF REPRESENTATIVES
149th GENERAL ASSEMBLY

HOUSE BILL NO. 107

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO PERSONAL INCOME TAX.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE (Three-fifths of all members elected to each house thereof concurring therein):

Section 1. Amend Title 30, §1102(a) of the Delaware Code by making deletions as shown by strike through and insertions as shown by underlining as follows, and redesignating accordingly:

§1102 Imposition and rate of tax; separate tax on lump-sum distributions.

(a)(1) For taxable years beginning before January 1, 1985, the amount of tax shall be determined as follows:

- 1.4% of the amount of taxable income not in excess of \$1,000;
- 2.0% of the amount of taxable income in excess of \$1,000, but not in excess of \$2,000;
- 3.0% of the amount of taxable income in excess of \$2,000, but not in excess of \$3,000;
- 4.2% of the amount of taxable income in excess of \$3,000, but not in excess of \$4,000;
- 5.2% of the amount of taxable income in excess of \$4,000, but not in excess of \$5,000;
- 6.2% of the amount of taxable income in excess of \$5,000, but not in excess of \$6,000;
- 7.2% of the amount of taxable income in excess of \$6,000, but not in excess of \$8,000;
- 8.0% of the amount of taxable income in excess of \$8,000, but not in excess of \$10,000;
- 8.2% of the amount of taxable income in excess of \$10,000, but not in excess of \$15,000;
- 8.4% of the amount of taxable income in excess of \$15,000, but not in excess of \$20,000;
- 8.8% of the amount of taxable income in excess of \$20,000, but not in excess of \$25,000;
- 9.4% of the amount of taxable income in excess of \$25,000, but not in excess of \$30,000;
- 11.0% of the amount of taxable income in excess of \$30,000, but not in excess of \$40,000;
- 12.2% of the amount of taxable income in excess of \$40,000, but not in excess of \$50,000;
- 13.5% of the amount of taxable income in excess of \$50,000.

(2) For taxable years beginning after December 31, 1984, and before January 1, 1986, the amount of tax shall be determined as follows:

1.3% of the amount of taxable income not in excess of \$1,000;
1.8% of the amount of taxable income in excess of \$1,000, but not in excess of \$2,000;
2.7% of the amount of taxable income in excess of \$2,000, but not in excess of \$3,000;
3.8% of the amount of taxable income in excess of \$3,000, but not in excess of \$4,000;
4.7% of the amount of taxable income in excess of \$4,000, but not in excess of \$5,000;
5.6% of the amount of taxable income in excess of \$5,000, but not in excess of \$6,000;
6.5% of the amount of taxable income in excess of \$6,000, but not in excess of \$8,000;
7.2% of the amount of taxable income in excess of \$8,000, but not in excess of \$10,000;
7.4% of the amount of taxable income in excess of \$10,000, but not in excess of \$15,000;
7.6% of the amount of taxable income in excess of \$15,000, but not in excess of \$20,000;
7.9% of the amount of taxable income in excess of \$20,000, but not in excess of \$25,000;
8.5% of the amount of taxable income in excess of \$25,000, but not in excess of \$30,000;
9.9% of the amount of taxable income in excess of \$30,000, but not in excess of \$40,000;
10.7% of the amount of taxable income in excess of \$40,000.

(3) For taxable years beginning after December 31, 1985, and before January 1, 1987, the amount of tax shall be determined as follows:

1.2% of the amount of taxable income not in excess of \$1,000;
1.6% of the amount of taxable income in excess of \$1,000, but not in excess of \$2,000;
2.5% of the amount of taxable income in excess of \$2,000, but not in excess of \$3,000;
3.5% of the amount of taxable income in excess of \$3,000, but not in excess of \$4,000;
4.3% of the amount of taxable income in excess of \$4,000, but not in excess of \$5,000;
5.1% of the amount of taxable income in excess of \$5,000, but not in excess of \$6,000;
5.9% of the amount of taxable income in excess of \$6,000, but not in excess of \$8,000;
6.6% of the amount of taxable income in excess of \$8,000, but not in excess of \$10,000;
6.7% of the amount of taxable income in excess of \$10,000, but not in excess of \$15,000;
6.9% of the amount of taxable income in excess of \$15,000, but not in excess of \$20,000;
7.2% of the amount of taxable income in excess of \$20,000, but not in excess of \$25,000;
7.7% of the amount of taxable income in excess of \$25,000, but not in excess of \$30,000;
9.0% of the amount of taxable income in excess of \$30,000, but not in excess of \$40,000;
9.7% of the amount of taxable income in excess of \$40,000.

(4) For taxable years beginning after December 31, 1986, and before January 1, 1988, the amount of tax shall be determined as follows:

- 1.0% of the amount of taxable income not in excess of \$1,000;
- 1.4% of the amount of taxable income in excess of \$1,000, but not in excess of \$2,000;
- 2.3% of the amount of taxable income in excess of \$2,000, but not in excess of \$3,000;
- 3.2% of the amount of taxable income in excess of \$3,000, but not in excess of \$4,000;
- 3.9% of the amount of taxable income in excess of \$4,000, but not in excess of \$5,000;
- 4.6% of the amount of taxable income in excess of \$5,000, but not in excess of \$6,000;
- 5.4% of the amount of taxable income in excess of \$6,000, but not in excess of \$8,000;
- 6.0% of the amount of taxable income in excess of \$8,000, but not in excess of \$10,000;
- 6.1% of the amount of taxable income in excess of \$10,000, but not in excess of \$15,000;
- 6.3% of the amount of taxable income in excess of \$15,000, but not in excess of \$20,000;
- 6.5% of the amount of taxable income in excess of \$20,000, but not in excess of \$25,000;
- 7.0% of the amount of taxable income in excess of \$25,000, but not in excess of \$30,000;
- 8.2% of the amount of taxable income in excess of \$30,000, but not in excess of \$40,000;
- 8.8% of the amount of taxable income in excess of \$40,000.

(5) For taxable years beginning after December 31, 1987, and before January 1, 1996, the amount of tax shall be determined as follows:

- 3.2% of taxable income in excess of \$2,000, but not in excess of \$5,000;
- 5.0% of taxable income in excess of \$5,000, but not in excess of \$10,000;
- 6.0% of taxable income in excess of \$10,000, but not in excess of \$20,000;
- 6.6% of taxable income in excess of \$20,000, but not in excess of \$25,000;
- 7.0% of taxable income in excess of \$25,000, but not in excess of \$30,000;
- 7.6% of taxable income in excess of \$30,000, but not in excess of \$40,000;
- 7.7% of taxable income in excess of \$40,000.

(6) For taxable years beginning after December 31, 1995, and before January 1, 1997, the amount of tax shall be determined as follows:

- 3.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
- 5.0% of taxable income in excess of \$5,000 but not in excess of \$10,000;
- 6.0% of taxable income in excess of \$10,000 but not in excess of \$20,000;

6.35% of taxable income in excess of \$20,000 but not in excess of \$25,000;
6.65% of taxable income in excess of \$25,000 but not in excess of \$30,000;
7.1% of taxable income in excess of \$30,000.

(7) For taxable years beginning after December 31, 1996, and before January 1, 1999, the amount of tax shall be determined as follows:

3.1% of taxable income in excess of \$2,000 but not in excess of \$5,000;
4.85% of taxable income in excess of \$5,000 but not in excess of \$10,000;
5.8% of taxable income in excess of \$10,000 but not in excess of \$20,000;
6.15% of taxable income in excess of \$20,000 but not in excess of \$25,000;
6.45% of taxable income in excess of \$25,000 but not in excess of \$30,000;
6.9% of taxable income in excess of \$30,000.

(8) For taxable years beginning after December 31, 1998, and before January 1, 2000, the amount of tax shall be determined as follows:

2.60% of taxable income in excess of \$2,000 but not in excess of \$5,000;
4.30% of taxable income in excess of \$5,000 but not in excess of \$10,000;
5.20% of taxable income in excess of \$10,000 but not in excess of \$20,000; and
5.60% of taxable income in excess of \$20,000 but not in excess of \$25,000.

(9) For taxable years beginning after December 31, 1998, and before January 1, 2000, the amount of tax shall be determined by reference to paragraph (a)(8) of this section and 5.95% of taxable income in excess of \$25,000 but not in excess of \$60,000; and 6.40% of taxable income in excess of \$60,000.

(10) For taxable years beginning after December 31, 1999, and before January 1, 2010, the amount of tax shall be determined as follows:

2.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
3.9% of taxable income in excess of \$5,000 but not in excess of \$10,000;
4.8% of taxable income in excess of \$10,000 but not in excess of \$20,000;
5.2% of taxable income in excess of \$20,000 but not in excess of \$25,000; and
5.55% of taxable income in excess of \$25,000 but not in excess of \$60,000.

(11) For taxable years beginning after December 31, 1999, and before January 1, 2010, the amount of tax shall be determined by reference to paragraph (a)(10) of this section and 5.95% of taxable income in excess of \$60,000.

(12) For taxable years beginning after December 31, 2009, and before January 1, 2012, the amount of tax shall be determined as follows:

- 2.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
- 3.9% of taxable income in excess of \$5,000 but not in excess of \$10,000;
- 4.8% of taxable income in excess of \$10,000 but not in excess of \$20,000;
- 5.2% of taxable income in excess of \$20,000 but not in excess of \$25,000;
- 5.55% of taxable income in excess of \$25,000 but not in excess of \$60,000; and
- 6.95% of taxable income in excess of \$60,000.

(13) For taxable years beginning after December 31, 2011, and before January 1, 2014, the amount of tax shall be determined as follows:

- 2.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
- 3.9% of taxable income in excess of \$5,000 but not in excess of \$10,000;
- 4.8 % of taxable income in excess of \$10,000 but not in excess of \$20,000;
- 5.2% of taxable income in excess of \$20,000 but not in excess of \$25,000;
- 5.55% of taxable income in excess of \$25,000 but not in excess of \$60,000; and
- 6.75% of taxable income in excess of \$60,000.

(14) For taxable years beginning after December 31, 2013, and before January 1, 2017, the amount of tax shall be determined as follows:

- 2.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
- 3.9% of taxable income in excess of \$5,000 but not in excess of \$10,000;
- 4.8% of taxable income in excess of \$10,000 but not in excess of \$20,000;
- 5.2% of taxable income in excess of \$20,000 but not in excess of \$25,000;
- 5.55% of taxable income in excess of \$25,000 but not in excess of \$60,000; and
- 6.6% of taxable income in excess of \$60,000.

(15) For taxable years beginning after December 31, 2016, the amount of tax shall be determined as follows:

- 2.2% of taxable income in excess of \$2,000 but not in excess of \$5,000;
- 3.9% of taxable income in excess of \$5,000 but not in excess of \$10,000;
- 4.8% of taxable income in excess of \$10,000 but not in excess of \$20,000;
- 5.2% of taxable income in excess of \$20,000 but not in excess of \$25,000;
- 5.55% of taxable income in excess of \$25,000 but not in excess of \$60,000;

6.60% of taxable income in excess of \$60,000 but not in excess of \$125,000;

7.10% of taxable income in excess of \$125,000 but not in excess of \$250,000; and

7.85% of taxable income in excess of \$250,000.

Section 2. Amend §1109, Title 30 of the Delaware Code by making deletions as shown by strikethrough and insertions as shown by underline as follows:

§ 1109 Itemized deductions [For application of this section, see 66 Del. Laws, c. 86, § 8]

(a) General. — In determining taxable income under this chapter, in lieu of the standard deduction provided by § 1108 of this title, a resident individual may elect to deduct the sum of the itemized deductions claimed on the federal income tax return as shall be permitted under the laws of the United States as the same are or shall become effective for any taxable year in determining the federal taxable income, or, if the person does not itemize deductions or elects the credit for foreign taxes paid on the federal return, the person may deduct the sum of the itemized deductions to which the person would have been entitled had the person itemized the deductions (including the deduction for foreign taxes paid) on the federal return:

(1) Reduced by:

a. The amount thereof representing income taxes imposed by this State;

b. The amount of any income tax imposed on the person for the taxable year by another state of the United States or a political subdivision thereof or the District of Columbia on income derived from sources therein if the person elected to take such amount as a credit in accordance with § 1111(a) of this title; and

(2) Increased by:

a. An amount equal to the excess of the state employee automobile mileage reimbursement allowance over the standard mileage rate allowed as a charitable deduction for federal income tax purposes for unreimbursed automobile transportation expense incurred by an individual while serving as a volunteer for a charitable organization as defined in § 170(c), Internal Revenue Code [26 U.S.C. § 170(c)]; and

b. In the case of a self-employed individual, the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse and dependents, less the amount allowed the taxpayer as a deduction pursuant to § 162(l)(26 U.S.C. § 162(l)) or successor provision of the Internal Revenue Code. For purposes of this subparagraph, "self-employed taxpayer" shall mean a resident individual whose gross income is more than one-half derived from a trade, business or profession and not derived as an employee. Income in the nature of interest, dividends or other investment income shall not constitute self-employment income. No self-employed taxpayer whose total cost of insurance for health care for the taxpayer, spouse and dependents

exceeds the gross income from the trade, business or profession shall be entitled to the deduction under this subparagraph.

c. [Repealed.]

(3) Reduced by:

a. 20 percent in the case of an individual with adjusted gross income in excess of \$125,000 but not in excess of \$160,000;

b. 40 percent in the case of an individual with adjusted gross income in excess of \$160,000 but not in excess of \$190,000;

c. 60 percent in the case of an individual with adjusted gross income in excess of \$190,000 but not in excess of \$220,000;

d. 80 percent in the case of an individual with adjusted gross income in excess of \$220,000 but not in excess of \$250,000;

e. 100 percent in the case of an individual with adjusted gross income in excess of \$250,000.

SYNOPSIS

This bill creates two new tax brackets at \$125,000 with a rate of 7.10%, and \$250,000 with a rate of 7.85%. Also, the bill provides a tiered reduction of the otherwise available itemized deduction based upon the individual's taxable income.